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Introduction

In accordance with the City Auditor’s 2000-01 Audit Workplan, we have audited the Building Division (Division) cash handling and refund process. The Division is part of the Department of Planning, Building, and Code Enforcement (Department). This audit is the third in a series of audit reports on the Division. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Scope and Methodology section of this report.

The City Auditor’s Office thanks the Department, and Division staff, who gave their time, information, insight, and cooperation during the audit process.

Mission And Activities	<p>The Division’s mission is to protect the lives and safety of the citizens of San Jose and contribute to the City's economic development. This is accomplished through implementation and enforcement of the Building, Plumbing, Mechanical, and Electrical Codes (Codes). The Division also implements Engineering, Energy, and Disabled Access regulations, and local and state laws for new construction.</p> <p>The Division’s role in the development process begins by reviewing all construction plans for all new residential, commercial, and industrial buildings and alterations to those buildings. Plan Check Engineers review the plans to verify that the proposed construction project is designed to meet the minimum safety requirements specified in the Codes. When the Division determines that the building plans comply with applicable Codes, the Division issues building permits authorizing construction. During a structure’s construction phase, Division inspectors will perform on-site inspections to verify compliance with the approved building plans, and applicable local and state regulations. After a final inspection, the Division is supposed to issue certificates of occupancy for each new building or when a change of use occurs. This certifies that the building is ready to be occupied for its stipulated use.</p> <p>A building permit is required for any building, structure, or building service equipment that is regulated by the Uniform Building Code, Uniform Plumbing Code, Uniform Mechanical Code, or the National Electrical Code. A separate permit is required to erect, construct, enlarge, alter, repair, move,</p>
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improve, convert or demolish a building, structure, or any building service equipment.

Budget And Staffing

In 2000-01, the Division's budget is \$14.4 million, which includes \$12.9 million in personal services and \$1.5 million in non-personal services (including equipment). Building-related permit fees fund almost all of the Division's operating costs.

The Chief Building Official heads the Division, which is organized into three main sections: Permit Center, Plan Check Section, and Inspection Section. In 2000-01, the Division is authorized 144 full-time equivalent positions.

The Division Analyst supervises the cashiering section, which includes two Account Clerks and an Accounting Technician. The Account Clerks are responsible for collecting, reconciling and recording the daily receipts. Of the two Account Clerks, one is also responsible for the quality assurance process, timekeeping, and processing refunds. The Accounting Technician is responsible for posting transactions into the City's Financial Management System (FMS) and processing refunds.

Audit Objective, Scope, And Methodology

The objective of the audit was to evaluate the adequacy of the Building Division's internal controls regarding its cash handling practices and refund process. We also assessed and reviewed the effectiveness of the internal controls over the accuracy of the Division's cashiering practices.

In order to evaluate the Division's cash handling practices, we analyzed transactions processed between September, 11, 2000 and November 17, 2000. We randomly selected three two-week periods within that time period for testing. We analyzed transactions processed between September 11 and 22, 2000; October 2 and 13, 2000; and November 6 and 17, 2000. We reviewed cut-off cash receipt reports, cash adjustment receipts, and Automated Building Permit Information Systems reports, to verify that:

- Division personnel complied with City guidelines regarding cashiering transactions;
- Division personnel accurately processed voided transactions;

- Adequate segregation of duties existed for cashiering functions; and
- The Division had adequate controls in place to prevent misappropriation and mishandling of monies.

Additionally, we also interviewed and observed Division staff to ensure that cash-on-hand was properly secured and reviewed internal memoranda, reports and other documents related to cash handling in the Division.

In order to evaluate the refund process, we tested refund transactions made in 2000 for compliance with the Division's Refund Policy. We did not test any refunds made in 1999 because we wanted to test only those transactions that occurred after November 1999, the date that the Division revised its refund policy. In 2000, the Division processed 533 refund transactions that totaled \$1.9 million. Of these transactions, 499 refunds were for less than \$10,000 and 34 refunds were for more than \$10,000. Further, of the refunds made for less than \$10,000, 176 refunds resulted from Division staff overcharging customers.

We judgmentally selected and tested 86 refund transactions that totaled \$1.6 million. The transactions represented 85 percent of the amount refunded in 2000. Specifically, we selected all 34 refunds greater than \$10,000, 35 refunds less than \$10,000, and 17 refunds less than \$10,000 resulting from Division staff overcharging customers. We reviewed the refunds to assess the adequacy of internal controls to ensure that Division staff:

- Complied with Division policies;
- Treated customers fairly and consistently; and
- Refunded the correct amounts to customers.

We also interviewed Division officials and staff responsible for processing refunds, and reviewed City and Division refund policies, guidelines, and internal memoranda.

**Major
Accomplishments
Related to This
Program**

In Appendix B, the Building Division informs us of its major accomplishments.

Finding I

Additional Improvements Are Needed In The Building Division's Cash Handling Section

In 1999-00, the Building Division (Division) collected about \$50 million in building-related permit fees and taxes. We found that the Division has generally collected this revenue in accordance with applicable City policies and procedures. We found that the Division can improve certain aspects of cash handing by implementing additional controls to ensure proper collection of building-related permit revenue. Specifically, we found that the Division needs to:

- Address Division staff performing incompatible cash handling duties;
- Develop procedures on processing voids and holding cash receipts for future payments; and
- Ensure that Division staff follow City guidelines on safe security.

In our opinion, the Division should 1) address issues of incompatible cash handling activities; 2) update and formalize procedures including supervisory review of all voided transactions; 3) develop a strategy for reducing the number of add-ons; and 4) ensure that Division staff comply with City guidelines on safe security. By so doing, the Division will improve the security and effectiveness of its cash handling function.

Building Permit-Related Revenue Collected

In 1999-00, the Division collected almost \$50 million in building permit fees and tax-related revenue. We found that the Division generally collected this revenue in accordance with applicable City policies and procedures.

Of the almost \$50 million collected, the Division collected \$19 million in revenue from Plan Check, Permit (Building, Plumbing, Electrical, and Mechanical), Record Retention, and miscellaneous fees assessed for residential, commercial, and industrial projects. This was an 11.4 percent or \$1.9 million increase from the previous fiscal year. The Division also collected \$30.9 million in development tax revenue from building-related applicants. Specifically, these included about \$12.2 million from the Building and Structure Tax, \$17.6

million from the Commercial, Residential and Mobile Home Parks Tax, \$361,000 from the Residential Construction Tax, and \$709,000 from the Construction Tax.

Incompatible Cash Handling Duties Need To Be Addressed

We found that Division staff perform incompatible cash handling duties. The cashier (Account Clerk) is responsible for the daily collection and processing of all revenue and taxes for the Division. The Automated Building Permit Issuance System (ABPIS) generates cash receipts and the cashier verifies that the money collected matches the receipt total. At the end of the day, the cashier counts the cash and checks collected, and reconciles them, along with the cash receipts, to the register tape. The cashier then reconciles the register tape to the cut-off cash receipt reports. The Accounting Technician enters the revenue information into the City's Financial Management System (FMS). The Division analyst approves the FMS entries.

The Division cashiering practices conflict with cash management principles that advise against cashiers counting register receipts and reconciling transactions¹. This is especially true in the Division because cashiers manually input and remove transactions like voided receipts from the computer generated reports. The ideal segregation of duties would include having different employees performing the counting and reconciling functions. Division officials told us that they submitted a budget proposal for 2001-02 that included an additional Account Clerk position. According to Division staff, the Budget Office approved this position and is presenting this position to the City Council for the 2001-02 budget. In our opinion, an additional Account Clerk position could improve the segregation of duties in the Division's cash handling function.

Given the Division's current staffing in the cashiering section, it may not be possible to have the ideal segregation of duties between collecting cash and reconciling receipts. In the absence of proper segregation of duties, the City's Finance Administrative Manual recommends that management oversight must be increased. In our opinion, the cashiers' supervisor should monitor, review, and scrutinize the collection, reconciling, and posting of daily cash transactions.

¹ Source: Occupational Fraud And Abuse-Joseph T. Wells CFE, CPA

Increased supervisory review will help mitigate the Division's current lack of adequate segregation of duties.

We recommend that the Building Division:

Recommendation #1:

Improve supervisory oversight of cash handling activities, to include review of the Account Clerks' counting and reconciliation activities. (Priority 2)

The Division Needs To Update Its Procedures For Processing Voids And Holding Cash Receipts For Future Payment

The Division can improve its cash handling by developing proper controls over voiding transactions and holding cash receipts for future payments. We found that Division staff voided transactions without supervisory approval and the practice of holding cash receipts caused extra work and may have led to reconciliation errors. The Division needs to take steps to ensure that supervisors approve voided transactions and explore ways to reduce the number of cash receipts that are held for future payments.

Procedures For Voiding Transactions Need Updating

City policy requires the Division to send copies of voided receipts to the Finance Department. We found that the Division was in general compliance with the City guidelines regarding the distribution of voided receipts. According to the cashiers, they transmit two copies of a voided receipt to the Finance Department and keep one copy for their records. In addition, the Accounting Technician maintains a list of voided receipt numbers, based on the cut-off cash receipt report. At the end of the day, the Accounting Technician also sends a copy of the receipts to the Division programmers who enter the information into the KEA database. The Accounting Technician does not verify the reasons for and/or the validity of the voids.

The cashiers always void transactions directly from the cash registers. If the transaction needs to be voided at the day's end because a customer canceled a permit, then the cashier manually voids the receipts on the cut-off cash receipt report. Accurately recording the voids is entirely dependent upon the Account Clerks correctly entering this information in the reports. For example, we found a transaction that the Account Clerk had mistakenly entered as a void when in fact it was a live permit and it should have actually been recorded as the next transaction.

We also found some problems with a \$14,000 transaction the Division processed on September 8, 2000. Specifically, the cut-off cash receipt report for September 11, 2000 showed that this transaction had been voided. When we asked the Division for a copy of the voided receipt that the Division programmers maintain, we were told the receipt could not be found. We finally got a copy of the voided receipt from the Finance Department. However this cash receipt showed that it had been voided on September 29, 2000. The cash receipt also showed that the Account Clerk had accepted payment for this transaction. Neither the Account Clerk who processed the transaction nor the Accounting Technician could explain why the Account Clerk voided this transaction because the invoice showed that the customer had paid for a permit. As such, the Account Clerk should never have treated this transaction as a void. According to the cashiers, sometimes the permit technician prints the invoices but asks the cashiers not to cash the customers' checks. If that occurred in this instance, it would have been contrary to the City's policy of immediately depositing all checks over \$10,000. The Accounting Technician agreed that the Division did not have adequate safeguards to prevent misappropriation of payments with respect to voids. For instance, the cashier could manually void a transaction and remove all information about it from the records. The lack of formal guidelines over voids causes balancing and record keeping difficulties for the Division's cashiers. At the end of our audit, the Division analyst showed us copies of informal procedures for voids. However, neither the cashiers nor the Accounting Technician were aware of these procedures. Moreover, the procedures did not address the issue of supervisory review of all voids. In our opinion, the Division should update and formalize its procedures and guidelines for processing voids and provide training to its cashiers on these procedures. These procedures and guidelines should include improved supervisory approval of all voided transactions and the retention of all voided receipts.

We recommend that the Building Division:

Recommendation #2

Update and formalize its procedures and guidelines for processing voids, including supervisory approval of all voided transactions and the retention of all voided receipts and provide training for cashiers on these procedures. (Priority 2)

The Division Does Not Have Any Policies Or Guidelines For Processing Cash Receipts That Are Used As Invoices For Future Payments

Division cashiers primarily use cash receipts for processing payments. However, cashiers also use cash receipts as “invoices” for future payments. These transactions are known as add-ons. Add-ons occur when 1) customers drop off or mail in permits and still have to pay for and pick up the permits or 2) customers do not have adequate funds to cover the cost of their already-processed invoices. We found that most of the add-ons occurred because customers dropped off or mailed in permits and still had to pay for and pick up the permits. Add-ons cause extra work for the Account Clerks and may lead to reconciliation errors. The Division does not have any formal policies or guidelines for processing add-ons, such as the number of days cashiers should hold these invoices. Division staff informed us that they usually hold these invoices until the end of the month. At that time, staff calls the customers and reminds them that they need to pick up and pay for the permits. Division staff agreed that it is extremely difficult keeping track of these invoices. In our opinion, the Division should examine alternatives to holding invoices for future payments.

The Automated Building Permit Issuance System (ABPIS), which generates the cash receipts, currently does not have a way of holding off on the permit processing for add-ons and it would be tedious for a customer to go through the permit process again. As a result, the Account Clerks hold the invoices until the customer returns to get the permit.

This practice of holding permits causes the Account Clerks to do extra reconciliation work. Specifically, the Account Clerks have to manually remove the add-ons from the cut-off cash receipt reports. The Account Clerks then have to manually add the add-ons to the cut-off cash receipt reports when the customer comes back to pay for the permit. When the cut-off cash register receipt does not balance, the Account Clerks need to search for the unpaid permits. In some instances, the customers do not return for the permits for a few weeks and sometimes even change their mind about paying for the permit. When the customer cancels a permit the Division retains twenty percent of the permit fees for work already done. However, if the customer cancels an add-on before paying for it, the Division does not retain any of the permit fees.

We were also told that customers sometimes cancel permits because they lack sufficient funds to pay for the permits. In our opinion, a good practice would be for Permit Technicians to provide customers with permit cost information prior to

printing out the permit receipt. This could reduce the number of add-on transactions caused by customers lacking sufficient funds to pay for the permits.

We recommend that the Building Division:

Recommendation #3

Develop formal procedures for processing add-on transactions and explore ways to reduce the number of add-on transactions. (Priority 2)

Division Staff Do Not Follow City Guidelines On Safe Security

We found that the Division should take immediate steps to ensure that its staff complies with all City guidelines regarding safe security. The Division maintains a safe to secure daily cash receipts that is locked with a combination and a key. According to City guidelines, the Division needs to secure the safe and ensure that all cash-on-hand is kept locked up at all times. However, we found that the Division safe is kept unlocked during the day. We observed that the safe door was kept partly open, and, in at least one instance, the safe door was kept wide open. According to a Division staff person, the safe is locked on a nightly basis and there is no need to lock the safe during the day since there is always someone present in the vicinity of the safe. The Division has a policy specifying that the cashiering section is a restricted area with access limited to only the Division accounting staff and their supervisor. However, on two separate occasions we observed non-accounting staff entering the restricted cashier area.

City guidelines require the Division to maintain a written list of all personnel who have access to the safe. Division staff told us that they do not maintain such a written list of the personnel with access to the safe combination.

The Finance Department (Finance) conducted a review of the Division's cash handling section. On February 12, 1999, Finance issued a memorandum that expressed concerns regarding the Division's lack of a written list of personnel with access to the safe combination. In addition, Finance recommended that the Division also change the safe combination when there is staff turnover. We found, however, that Division staff did not change the safe combination when the previous Account Clerk transferred to another position outside the Division. According to the Division analyst, the

safe is new and cannot be opened unless someone knows the combination and has a key.

We recommend that the Building Division:

Recommendation #4

Ensure that Division staff follows all City guidelines regarding safe security and strictly enforces the Division's policy of restricting access to the cashiering area. (Priority 2)

CONCLUSION

The Division needs to make improvements to ensure its cashiering section is managed in a secure and effective manner. The Division also needs to address issues of incompatible cash handling activities; develop procedures for processing voided and add-on transactions; and ensure that Division staff comply with City guidelines on safe security.

RECOMMENDATIONS

We recommend that the Building Division:

Recommendation #1

Improve supervisory oversight of cash handling activities, to include review of the Account Clerks' counting and reconciliation activities. (Priority 2)

Recommendation #2

Update and formalize its procedures and guidelines for processing voids, including supervisory approval of all voided transactions and the retention of all voided receipts and provide training for cashiers on these procedures. (Priority 2)

Recommendation #3

Develop formal procedures for processing add-on transactions and explore ways to reduce the number of add-on transactions. (Priority 2)

Recommendation #4

Ensure that Division staff follows all City guidelines regarding safe security and strictly enforces the Division's policy of restricting access to the cashiering area. (Priority 2)

Finding II

The Building Division Staff Needs To Process Refunds In Accordance With City And Department Policies

Between January 1999 and December 2000, the Building Division (Division) refunded a total of \$3.1 million to Division customers due to such reasons as permit overpayments, overcharges, and permit cancellations. The Municipal Code has established parameters that the Division must follow for processing refunds. We found that the Division has generally complied with its refund policy, but in some situations the Division staff did not process refunds in accordance with established procedures. We found that Division staff:

- Processed 600 percent more in refunds due to overcharging customers in 2000 than in 1999;
- Issued refunds without proper approval;
- Refunded the incorrect amount to customers; and
- Refunded permit fees even though inspectors had performed inspections.

We also found that the Division needs to make sure that its refund checking account is used only for appropriate transactions. In our opinion, many of the refund problems resulted from poor adherence to Division policy and procedures, and Division Supervisors “rubberstamping” refund approvals. Division staff needs to adhere to Division procedures concerning refunds, and supervisors need to thoroughly review refund applications before approving them. By so doing, the Division will be assured that all refund transactions are properly processed and that it refunds the correct amount to its customers.

The Division Processed \$3.1 Million Refund Transactions In 1999 And 2000

Between January 1999 and December 2000, the Division refunded \$3.1 million to Division customers due to such reasons as permit overpayments, overcharges, and permit cancellations. Specifically, as shown in Exhibit 1, in 1999, the Division made 477 refunds that totaled \$1.2 million, and in 2000, the Division made 533 refunds that totaled \$1.9 million. Between 1999 and 2000, the number of refunds increased 12 percent and the amount refunded increased 64 percent. Each business day in 2000, the Division processed 2.2 refund transactions and refunded about \$7,900.

Exhibit 1 Number Of Refund Transactions Processed In 1999 And 2000

Refund Reason	Number Of Refunds Made In 1999	Amount Refunded In 1999	Number Of Refunds Made In 2000	Amount Refunded In 2000
Overpayment	153	\$535,349	167	\$1,018,863
Overcharge	107	106,962	189	766,910
Cancelled Permit	122	320,510	112	118,979
Duplicate	17	1,286	20	14,018
Other not stated	78	212,985	45	13,925
Total	477	\$1,177,092	533	\$1,932,695

Source: Auditor analysis of Division data.

About half of the money the Division refunded in 1999 and 2000 was due to customer overpayments. Division staff told us that customers routinely bring in pre-printed checks to pay for permit transactions. The pre-printed checks are based on the customers' estimates of building-related permit fees and taxes. However, when the Division calculates the actual permit fees and taxes, the total bill is often a lower amount than the customers' estimates. Consequently, many customers prefer to pay for the building-related permits with the pre-printed checks and apply for a refund. The Division then processes a refund for the difference between the pre-printed check and the correct amount. The Division also makes refunds when customers cancel permits and apply for a refund.

Building Division Refund Policy

The Municipal Code allows the Building Official to refund any building-related permit fee erroneously paid or collected; refund no more than 80 percent of the permit fee paid when no work has been done under the permit; and no later than 180 days after permit issuance. These specific rules are listed on the refund application. On November 10, 1999, the Division modified its Refund Policy to include the following:

1. Begin processing refunds within 48 hours (two working days) of receipt.
2. A Permit Center Supervisor, prior to granting approval or denial of refund request, will research the validity of the refund request. If the refund is denied, the Permit

Center Supervisor will contact the applicant and explain the reasons for the denial.

3. The Permit Center Manager must review and approve all requests greater than \$10,000.
4. Completed refund requests must be returned to the cashier for processing.

The Division Processed 600 Percent More In Refunds Due To Customer Overcharges In 2000 Than In 1999

In 1999 and 2000, the number of refund transactions the Division processed because its staff overcharged customers was 107 and 189, respectively—a 77 percent increase. In addition, the amount the Division refunded because its staff overcharged customers increased from \$107,000 in 1999 to \$767,000 in 2000—a 600 percent increase. The Division overcharged customers primarily because of staff error. For example, we found one refund transaction dated May 10, 2000, where the Division charged a customer the Commercial, Residential And Mobile Home Parks Tax (CRMP) even though the property was located in an industrial use location and was exempt from those taxes. The Division subsequently refunded about \$20,000 to this customer.

According to the Division analyst, an increase in the number of refunds due to customer overcharging may be attributed to permit technician turnover. The analyst indicated that in 2000, the Division hired four new permit technicians. In 2001, refunds due to overcharges are tracking lower than the previous year, and by year-end refunds should total about \$183,000.

The Division Needs To Ensure Supervisory Review of All Refunds

We found that the Division has generally complied with its refund policy but in some situations the Division staff did not process refunds in accordance with established procedures. We found that the Division needs to ensure supervisory approval of all refunds. Increased supervisory review of all refunds will ensure that customers are refunded the correct amount and that no refunds are issued for permits where inspectors have already performed work.

Refunds Were Issued Without Proper Approval

We found that Division staff issued refunds to customers without appropriate supervisory approvals. In half of the refund transactions over \$10,000 examined, we found that the Division analyst or the Permit Center Manager did not approve the refunds as required. Specifically, the Division's Refund Policy requires that the Division analyst approve all refund

applications and the Permit Center Manager approve refund requests over \$10,000.

*Refunded Incorrect
Amounts To
Customers*

We found that Division staff also made incorrect refunds to customers. For example, on January 19, 2000, the Division refunded \$75,000 to a customer, located in an industrial use zone, because the Division had incorrectly charged the Commercial, Residential and Mobile Home Parks Tax. Based on our review of the refund application, we found that the Division neglected to refund the customer an additional \$12,500 that resulted from an incorrect Building and Structure Tax (B&S) assessment. The Division Account Clerk, who processes refunds, indicated that she was not aware of the requirement to refund the B&S Tax, even though there are different rates depending on structure use. In our opinion, the Division Supervisor, who approved this refund should have noted this error and refunded the correct amount to the customer. Accordingly, the Division needs to improve upon the supervisory review of refunds made to customers.

*Refunded Permit
Fees Even Though
Inspection Work Had
Been Performed*

Another problem that we identified was that Division staff refunded building permit fees to customers even though inspection work had been performed. For example, on April 20, 2000, Division staff refunded \$800 to a customer, even though the customer had informed staff that Building Inspectors had already performed inspection work and that the permit was expired. The Division refund policy allows refunds only when no work has been done under the permit and only within 180 days after permit issuance.

*Division Supervisors
Do Not Always
Thoroughly Review
Refund Requests*

We found that some of the Division supervisors merely rubber stamp refund requests without actually reviewing them. A former Division analyst told us that when she approved refunds she actually verified the amount and the purpose of the refunds. In our opinion, the Division should require proper supervisory review of all refunds to ensure compliance with the Division's refund policy.

We recommend that the Building Division:

Recommendation #5

Require supervisors to properly review all refunds to ensure that they are issued in accordance with the Division's refund policy. (Priority 2)

**The Division Did
Not Always Follow
City Procedures
For Special
Checking Accounts**

According to Division staff, the Division maintains a separate checking account to process refunds less than \$250, pay for employee subscriptions, and purchase supplies and other necessary items less than \$250. City guidelines and procedures for department checking accounts², specify that these type of accounts should be used for the following purposes:

- Customer refunds;
- Customer overpayments;
- Subscriptions and books of \$100 or less;
- Items under \$250 that cannot be obtained through Central Stores or Boise Cascade catalog; and
- Invoice payments under \$250 when the City will realize a discount with immediate payment.

City guidelines also prohibit writing checks to individual employees because the accounts are not petty cash accounts and have account balances less than \$5,000.

We found that the Division used a special checking account for writing checks to individual employees within the Department. The Division analyst told us that he was not aware of any written procedures for the special checking account and that he decided on most of the reimbursements. According to the analyst, the purpose of the account is to reduce the time required to process refunds for less than \$250 through the Finance Department. However, as stated above there are special checking account procedures which the Division should follow.

We also found one instance when the special checking account was used to reimburse a supervisor within the Department for a membership in a professional organization. This is clearly a violation of the City policy on special checking accounts.

*Unauthorized
Personnel
Sometimes Sign-Off
On Refund Checks*

We found instances in our refund sample when unauthorized personnel signed refund checks. On at least two occasions, the Planning Division analyst had signed and approved the refund checks for Division customers. However, according to the list of approved employees with signing authority, the Planning

² Source: Procedure Manual, City of San Jose-Department of Planning And Building. Effective Date: March 9, 1995.

Division analyst did not have signature authority on this account.

According to the Division analyst, when he was unavailable, the Planning Division analyst signed refund checks to reduce the refund cycle time.

We recommend that the Building Division:

Recommendation #6

Ensure that its staff is aware of and follows the City's policy regarding special checking accounts. (Priority 2)

CONCLUSION

We found that the Division has generally complied with its refund policy in refunding \$3.1 million between 1999 and 2000. However, in some situations the Division staff did not process refunds in accordance with established procedures. We found that 1) the Division processed 600 percent more in refunds due to overcharging customers in 2000 than in 1999 and 2) Division staff issued refunds without proper approval, refunded the incorrect amount to customers, and refunded permit fees even though inspection work had been performed. We also found that Division staff need to adhere to Division procedures concerning refunds and supervisors need to thoroughly review refund applications before approving them. By so doing, the Division will be assured that all refund transactions are properly processed and that it refunds the correct amount to its customers.

RECOMMENDATIONS

We recommend that the Building Division:

Recommendation #5 Require supervisors to properly review all refunds to ensure that they are issued in accordance with the Division's refund policy. (Priority 2)

Recommendation #6 Ensure that its staff is aware of and follows the City's policy regarding special checking accounts. (Priority 2)